

Facade Improvement Program

Program Overview

The Facade Improvement Loan Program was created by the City of Lincoln to assist in the rehabilitation of commercial properties in the City's traditional commercial centers. Using Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD), the program is designed to improve the visual quality of commercial buildings, maintain the vitality of our neighborhood commercial centers, and provide retail and other commercial opportunities. The program can also help preserve historically / architecturally significant structures and address safety issues by eliminating code deficiencies.

Who Benefits?

It's not just the building owners and tenants. The economic and social viability of the whole neighborhood is enhanced when established small businesses and property owners invest in their present locations in older neighborhoods. Improving even one commercial building within an older commercial area encourages other businesses and building owners in the area. It builds their commitment to, and belief in, the neighborhood. Surrounding residential areas benefit because neighborhood reinvestment and pride rises in areas with visibly strong locally-owned businesses. Healthy commercial districts can actually protect property values in surrounding residential neighborhoods.

The entire city benefits as well. Vital neighborhood commercial districts create and retain jobs, which means a stronger tax base. Long-term revitalization establishes capable businesses that use public services and provide tax revenues for the community. Older commercial centers are also good incubators for new small businesses and ideal locations for independent businesses. This keeps profits in town supporting lo-

Program Goals

1. Improve and enhance the visual quality of area buildings.
2. To regain the historic character of the commercial heart of the City, developing a "sense of place" that is vital to the economic revitalization of the area.
3. Increase or maintain the area's role as a major activity center in the Lincoln Region.
4. Provide for the creation or expansion of retailing and other commercial opportunities.
5. Enable historically or architecturally significant buildings to be preserved.
6. To increase market value and demand for the commercial properties in the heart of the City, resulting in economic growth and an increasing property tax base.

cal families and local community projects such as ball teams and schools. The resulting stable economic foundation is a boon to the city's economy.

Forms of Assistance

Assistance under the Facade Improvement Program is provided in two forms:

1. **Facade Design Assistance** provided as a reimbursement to building owners, and
2. No interest **Facade Improvement Loans** for eligible facade improvements.

The City of Lincoln's Economic Development programs are intended to encourage development of businesses and revitalization of older commercial areas of the City by encouraging and complimenting private sector investment and financing.

It is not the function of these programs to duplicate, replace or compete with any services or financial resources that presently exist in the private sector.

Facade Design Assistance

Facade Design Assistance may be provided to owners of eligible properties who retain the services of a professional architect or designer to develop a design plan for proposed facade improvements. Applicants / borrowers must indicate their desire to utilize Facade Design Assistance by submitting the one-page Facade Design Assistance application (see page 11) within the six month period prior to submitting a Facade Improvement Loan application.

Through this program, the City reimburses the borrower for costs directly attributed to the design of eligible facade improvements. Unlike funds provided for the facade improvements themselves, the City does not require repayment of design costs.

Design costs cannot exceed 10% of eligible improvements. Borrowers are not reimbursed for design costs until facade improvements are 50% completed (*See Example A*).

The Facade Improvement Program process begins with submission of the one-page Facade Design Assistance application on page 11. After the application is submitted, applicants have six months to:

1. work with a professional architect/designer to complete a design plan for eligible facade improvement,
2. obtain all bids or quotes for proposed improvements, and
3. submit a Facade Improvement Loan application.

Submitting an application does not commit the City to enter into an agreement, to pay any costs incurred in its preparation, to participate in subsequent nego-

Example A. If a facade project has total facade improvement costs of \$20,000, the City can reimburse for design costs up to \$2,000 (10% of eligible improvements). Reimbursement will be made once at least \$10,000 in facade improvements have been completed.

Program at a Glance

- ! **City-funded design assistance** provided if utilizing a professional architect/designer.
- ! Construction assistance provided as a **No Interest Loan**.
- ! Maximum Assistance is **½ of eligible project costs or \$25,000**, whichever is less (\$50,000 for corner building).
- ! Principal repaid to City in **monthly installments. 20% of principal forgiven** over term of the loan.
- ! Loans have a **maximum term of ten years**.

tiations, or to contract for the project. Further, the acceptance of a Facade Design Assistance application does not constitute an agreement by the City that any contract will actually be entered into by the City.

Design Assistance Benefits

By utilizing Facade Design Assistance, business and property owners can take advantage of these opportunities:

1. Cost reduction on improvements to public facades of your building.
2. Potential increase in market value of property.
3. Improve architectural integrity and character of property.
4. Regain customer-attracting "sense of place" to historic business areas, and an increasing property tax base.

The City expressly reserves the right to reject any or all applications or to request more information from any and/or all applicants.

Facade Design Assistance will only be considered for the proposed project by the City if:

1. a facade design plan is completed,
2. bids or quotes for all proposed work are obtained and submitted, and
3. a Facade Improvement Loan application is submitted with the design plan and bids to the Urban Development Department within six months of the date of the application.

Facade Improvement Loan

Maximum assistance allowed under the Facade Improvement Loan Program is ½ of eligible costs, or \$25,000 per primary - or street facing - facade, whichever is less (*See Example B*).

In the case of a corner building with two primary facades, the maximum is ½ of eligible costs or \$50,000 whichever is less (*See Example C*).

Some projects may consist of multiple, adjacent buildings. In those cases, the maximum amount of financing will be based on the total number of primary facades (*See Example D*).

For all Facade Improvement Loans, the principal is repaid to the City in monthly installments. Loans have a maximum term of ten years. The applicant is responsible for obtaining funding for the non-City portion of the project.

All Facade Improvement Program loans are secured by a “Memorandum of Facade Agreement” and a “Deed of Trust” filed with the Register of Deeds on the subject property.

Eligibility

The City shall have the authority to determine the eligibility or ineligibility of all proposed work. The City will require that all applicable City, State, and Federal codes and requirements be met.

Participants in the Facade Improvement Program must make all exterior building / safety improvements necessary to comply with applicable Lincoln Building and Safety requirements.

To be eligible for assistance through the Facade Improvement Loan Program, a proposed project must:

1. be located in a traditional commercial area which meets state and local definitions of blight,
2. be primarily commercial in nature,

Example B. If an eligible property requires \$30,000 in facade improvements, the building owner could apply for \$15,000 in financing through the program (\$15,000, or ½ of \$30,000, is less than the \$25,000 maximum). The remaining \$15,000 must be funded by the borrower. If the same building required \$60,000 in facade improvements, the owner could apply for \$25,000 (The \$25,000 maximum is less than \$30,000, or ½ of \$60,000). In this example, the remaining \$35,000 would be funded by the borrower.

Example C. If the building in Example B were a corner building, with two primary facades, the project may be eligible for additional financing. In the \$30,000 example, the level of City assistance would remain \$15,000, with the borrower funding the remaining \$15,000. One-half of the total project cost of \$30,000 is less than the \$50,000 maximum for a corner building. In the \$60,000 example, the owner must fund \$30,000 and apply for \$30,000 in program assistance. \$30,000 or ½ of project cost of \$60,000 is less than the \$50,000 maximum for a corner building.

Example D. A project which includes two adjacent buildings, one of which is a corner building, would have a maximum assistance level of ½ of eligible improvements or \$75,000 (\$25,000 for the first building plus \$50,000 for the corner building) whichever is less.

3. propose eligible facade improvements,
4. follow the City’s facade design principles and
5. demonstrate financial feasibility.

In addition, only the building’s owner(s) can apply for assistance. These requirements are detailed below.

Located in Blighted Area. To be eligible, a building must be located in an area that meets state and local definitions of blight. The map on page 10 outlines all the areas within the City of Lincoln which currently meet that criteria. Structures not located within a blighted area as identified by the attached map are not eligible for assistance.

Within that “blighted” area, a building must also be located in an area that is traditionally and primarily commercial in nature. Traditional commercial areas include: Downtown/Haymarket, North 27th Street Corridor, and former “Main Street” commercial areas such as Havelock and University Place. Other traditional commercial “nodes” are located throughout Lincoln’s older neighborhoods, including: South Salt Creek, Everett, Near South, Malone, Clinton, Hartley and Woods Park.

Primarily Commercial in Nature. The intent of the Facade Improvement Loan Program is to encourage the redevelopment and renovation of sub-standard commercial structures. It is envisioned that buildings assisted would typically be one to three story, with ground level commercial uses and upper levels used for commercial or residential, although nearly any type of commercial building is eligible.

Structures that are primarily residential in nature, or are zoned residential, are not eligible for assistance through this program. In some cases, structures may be eligible that:

1. have been converted from residential to commercial,
2. have been re-zoned as commercial,

3. now have a commercial use, and
4. are adjacent to other commercial uses.

Eligible Facade Improvements. The Facade Improvement Loan Program includes as eligible items all costs directly attributable to the improvements of the principal, or street-facing, facade or facades (maximum of two in the case of a corner building). Funds will be awarded only for exterior work which results in the significant improvement or enhancement of the building facade.

Additional improvements may be determined to be eligible on a case-by-case basis. These additional types of improvements include:

1. Rear facades which contain a building or business’ primary entrance,
2. Non-primary facades which are also visible from the public right-of-way or other public areas such as public parking lots, and
3. Interior code violations which have been cited by the City’s Building and Safety Department.

Contact the Urban Development Department to determine eligibility. Additional eligible costs (those costs not associated with improvements to the primary facade) cannot exceed 40% of the overall cost of the improvements (*See Example E*). Contact the Urban Development Department for details.

Examples of eligible costs include labor, materials, architectural services, and engineering services for any of the following types of improvements: masonry cleaning and repair, cornice restoration, removal of secondary siding, window and door repair or replacement, exterior painting, power washing or sand blasting, repair or replacement of canopies and window awnings, repair or replacement of gutters and drain spouts, and installation/removal of fire escapes.

Eligibility Checklist

- ☐ Located in Blighted Area
- ☐ Structure is Primarily Commercial in Nature
- ☐ Proposed Facade Improvements are Eligible
- ☐ City Facade Design Guidelines are Followed
- ☐ Proof of Financial Feasibility
- ☐ Eligible Applicant

Example E. A facade improvement project with an overall cost of \$40,000 could address both the primary and rear facade as long as no more than 40% of the project costs (\$16,000) is used for improvements on the rear facade. The same rule would apply to other non-primary facades improvements and work to address code violations.

Eligible Improvements

- ! Masonry cleaning and repair
- ! Cornice restoration
- ! Removal of secondary siding
- ! Window and door replacement and repair
- ! Exterior painting
- ! Power washing and sand blasting
- ! Installation/removal of fire escapes
- ! Repair/replacement of canopies and window awnings
- ! Repair/replacement of gutters and down spouts

City Facade Design Principles. All Facade Improvement projects are reviewed by the City's Historic Preservation Officer. For buildings determined not be historically significant, the City will apply the following principles:

1. The street level of facades should be "pedestrian-friendly," with abundant windows and inviting entrances.
2. Maintaining the design integrity of individual buildings is strongly encouraged. Rehabilitation or remodeling projects should not ignore upper stories of buildings, taking them into account both in maintenance and design. Screening whole facades is not allowed.
3. Design for individual buildings should take into account the surrounding structures, seeking and preserving elements that link buildings within a block, such as height, cornices, window patterns, or materials.

Proof of Financial Feasibility. The borrower must verify to the satisfaction of the City the funding of the non-City portion of the project. Verification means that the sources of funds are committed; that the terms and conditions are known; and that the sources have the capacity to deliver.

Funding for the non-City portion of any facade project is the responsibility of the applicant and can come from a variety of sources, including: cash investment, bank financing and personal loans. To the City, the

Ineligible Improvements

- ! Cost of new signage
- ! Sidewalk/parking lot repair
- ! Landscaping
- ! Major structural improvements
- ! Interior remodeling projects
- ! Roof repair

source is not as important as whether or not that source is committed to funding a portion of the project, and if that funding can be verified.

Eligible Applicant. Only a building's owner is an eligible applicant. Building tenants wishing to make building improvements may work with the owner to complete an application. The owner and tenant may enter into a separate agreement in which the tenant reimburses the owner for the costs of improvements. The application, however, must be signed and submitted by the building's owner. In addition, the building owner must enter into a loan agreement with the City for repayment.

Facade Improvement Loan Application Process

Material Submission. To be considered for financial assistance an application must be submitted and include the following:

1. Design Plan, which may include Building Plans and Specs. of improvements in sufficient detail to determine program compliance. At a minimum, a detailed description of the work to be completed along with building photos must be submitted.
2. Contractor bids or quotes for *all* work proposed for the project.
3. Demonstration of financial capability, which may include a letter of commitment and appraisal from the lender if determined necessary.
4. Legal description of property to be used to secure the loan, and legal name(s) of owner(s) of the property to be used to secure the loan.

Committee Review. All Facade Improvement Loan Applications are reviewed by the City's Facade Loan Committee. The Loan Committee meets on the third Tuesday of every month. The Committee's meeting

schedule is listed on the back of the application. All materials required for the review of each application must be submitted according to the schedule listed.

Evaluation Criteria. The City's decision to accept an application will be based on fund availability, the merits of the proposed project, the support it provides to the advancement of the City's redevelopment goals, and the priorities for the Facade Improvement Program, which include:

- ! A comprehensive project which addresses all aspects of the design guidelines.
- ! Significant improvement to the visual appearance of the building and surrounding area.
- ! Projects located in targeted areas.
- ! The level of investment being made.
- ! Improvement of safe structures in sound condition.
- ! Collective participation of adjacent property owners/tenants in improving several facades.
- ! Compatibility with adjacent neighborhoods.
- ! Improvement of owner-occupied properties is encouraged. Consideration will also be given to tenant-occupied and vacant storefronts.
- ! Improvement of storefronts located along major streets which provide retail/commercial support to adjacent neighborhoods.
- ! Willingness to hire disadvantaged, minority and women-owned businesses.

Loan Contingency. An amount not greater than 10% of the budgeted cost of all improvements may be included in the rehabilitation loan budget to cover most overruns and required construction changes during the construction period. The borrower must authorize the use of this contingency by written change order and the City of Lincoln must approve the disbursement. Should funds remain in the contingency account after project completion, this excess amount will be credited against the loan principal.

Historic Preservation Review. Any building over 45 years old that is listed on or eligible for the National Register of Historic Places (NRHP) must undergo scrutiny by the City's Historic Preservation Officer and State Historical Society to determine if the proposed work would have an effect on the historic resource. At a minimum, all work on historic buildings, whether in the Haymarket or elsewhere, must

meet the Secretary of Interior's Standards for Rehabilitation. In addition, exterior work on structures in the Haymarket and other historic districts will be subject to review by the Historic Preservation Commission before a building permit can be issued.

Borrower Acting as Contractor or Developer. If the borrower is a licensed contractor in the business of building construction or remodeling, a reasonable fee may be included in the estimated cost for all improvements. If the borrower is not a contractor but actively develops property for other individuals or entities, a maximum 10% of the estimated total cost of improvements would be an allowable developer's fee to be disbursed during the construction period. In lieu of this fee going to the borrower/developer this amount may be paid to a third party under a properly executed contract. A borrower may elect to receive compensation as either a contractor or developer, but not both.

Bonus, Commission or Fee. The borrower shall not pay any bonus, commission or fee or other payment for the purpose of obtaining approval of the loan application or any other approval or concurrence required to complete the rehabilitation work.

Title Insurance. When determined necessary, the City shall require the borrower to provide to the City of Lincoln with acceptable title insurance coverage. This may be secured through a title policy issued jointly to the participating lender and the City of Lincoln or through a title insurance policy issued solely to the City of Lincoln.

Construction Process

Timely Performance. All projects assisted by this programs must be completed in a timely manner. The contract will allow a maximum of 12 months for completion. When it can be demonstrated that circumstances clearly beyond the borrower's control prohibit completion in 12 months, the City may grant one 6-month extension. Failure to complete the project in a timely manner will result in a cancellation of the contract, de-obligation of any unexpended funds, and at the discretion of the City, recapture of expended funds.

Davis-Bacon Labor Standards. Federal labor standards provisions contained in the Davis-Bacon Act require that all employees working on a construction project that is wholly or partially federally-funded are entitled to receive the prevailing wage rate for that

Construction Process

- ! Improvements must be completed within 12 months.
- ! Davis-Bacon Wage Standards apply to all Facade Improvement Contracts over \$2,000.
- ! The use of lead-based paint is prohibited.
- ! All contractors will be reviewed to determine that they are not on the HUD debarment list.
- ! The borrower is responsible for securing all required construction permits.

locality as established by the U.S. Department of Labor. This standard applies to all construction contracts in excess of \$2,000.

Prevailing wage rates are listed in the Davis-Bacon Wage Decision, a listing of various construction work classifications, such as carpenter, plumber and electrician, and the minimum rates (and fringe benefits) that people performing work in those classifications must be paid.

During the construction process on all Facade Improvement-funded projects, contractors must submit weekly certified payroll reports beginning with the first week the contractor works on the project and for every week afterwards until the firm has completed its work.

In addition, contractors must make their employees available for interviews at the job site with an Urban Development Representative. The interviews are confidential and the employee asked about the kind of work they perform and their rate of pay. Every effort will be made to ensure these interviews cause as little disruption as possible to on-going work.

If you are unfamiliar with Davis-Bacon Labor Standards, contact the Urban Development Department for a copy of *A Contractor's Guide to Davis-Bacon*. The *Contractor's Guide* is published by the U.S. Department of Housing & Urban Development. Or you can download a copy from HUD's web-site at: www.hud.gov/olr/olr.html.

Debarment Check. All contractors will be reviewed to determine that they are not on the HUD debarment list. Debarment is the ineligibility of a contractor to

engage in any federally-funded projects because of previous federal labor standards violations.

Lead-Based Paint Prohibition. The use of lead-based paint in federally funded projects is prohibited.

Permit Requirement. The borrower will be responsible for securing all required construction permits from the Department of Building and Safety and must present all Certificate(s) of Approval and an Occupancy Permit (vacant building) prior to disbursement of program funds for work upon which a permit was required.

Inspection. The borrower shall permit inspection of the property by the City for compliance with all City codes and ordinances pertaining to code compliance and such other inspections deemed necessary in connection with the property, the rehabilitation work and all contracts, materials, equipment, machinery, fixtures, payrolls, and conditions of employment pertaining to the work.

Eligible Contractors. The borrower shall award contracts for work only to contractors who are actively involved in the construction profession and should be able to demonstrate their ability to complete the necessary work. Contractors must also show evidence of adequate liability and workman's compensation. Lien releases are to be signed by the contractor and filed with the City prior to a final disbursement.

Disbursement of Loan Proceeds

City funds will be disbursed in conjunction with the private match funds and only for work as specified in the contract which has been satisfactorily completed. At no time will the City have more funds disbursed than the private match funds.

Upon receiving properly executed invoices for satisfactorily completed work, the City will reimburse the borrower for ½ of the amount for eligible improve-

For more on Davis-Bacon go to:
www.hud.gov/olr/olr.html

The borrower is responsible for payment of all contractors. The City will not pay contractors directly.

ments contained in the invoice (*See Example F*). The borrower is responsible for making timely payments for the full amount due to each contractor.

Reimbursement requests can be made as often as necessary. The City will provide the borrower with Reimbursement Forms to which copies of invoices for all eligible expenses must be attached. Only properly executed invoices can be submitted for reimbursement. The City cannot reimburse from the initial bid or from copies of checks written to a contractor.

In addition, reimbursement can only be made for those contractors who have submitted weekly certified payroll forms. To be reimbursed in a timely manner, it is important that all contractors continue to submit weekly certified payroll forms.

Typically, reimbursement by the City for eligible improvements takes two to three weeks. This process can be repeated as many times as necessary until the maximum loan amount has been reached, or the work is complete.

Maintenance

When borrowing Facade Improvement funds from the City, the borrower is also agreeing to maintain the facade improvements for a period equal to the length of the loan repayment.

Repayment

Loan repayment begins 12 months from the date of the Facade Agreement or 60 days from final loan payout, whichever occurs first. The term of the loan (up to 10 years) is determined by the size and scope of the project, as well as the borrower's ability to generate cash flow for repayment. The term is agreed upon by the City and borrower prior to entering an Agreement.

Loan Forgiveness

Twenty percent of the total loan amount is forgiven over the term of the loan repayment as long as the borrower maintains the facade improvements in a satisfactory manner and continues timely repayment of the remaining loan balance (*See Example G*). If the building is sold during the repayment period, the

Example F. An approved Facade Project has a total estimated cost of \$23,500. The borrower's Facade Improvement Loan is for \$11,750 ($\frac{1}{2}$ of eligible costs). Work begins in early June and the borrower begins receiving invoices for work completed in June at the end of the month. Those invoices include:

Completed Work	Amount
Window Replacement	\$5,200.00
<u>Brick & Cornice Repair</u>	<u>\$5,800.00</u>
Total	\$11,000.00

Reimbursement ($=\frac{1}{2}$ Total) \$5,500.00

The borrower would be reimbursed \$5,500, equal to $\frac{1}{2}$ of the total amount invoiced.

Work continues, and the following month the borrower again receives invoices for work completed to date. Those invoices include:

Completed Work	Amount
Brick & Cornice Repair	\$2,400.00
Awning Installation	\$4,400.00
Paint	\$4,300.00
<u>Door Replacement</u>	<u>\$1,400.00</u>
Total	\$12,500.00

Reimbursement ($=\frac{1}{2}$ Total) 6,250.00

The borrower would be reimbursed \$6,250, equal to $\frac{1}{2}$ of the total amount invoiced.

Example G. Upon completion, a \$50,000 facade loan would be eligible for \$10,000 in loan forgiveness (\$10,000 equals 20% of \$50,000), leaving \$40,000 to repaid by the borrower. If this loan had a term of 10 years, \$1,000 (or 10% of the \$10,000 forgivable amount) would be forgiven each year. If this same loan had a term of five years, \$2,000 (or 20% of the \$10,000 forgivable amount) would be forgiven each year.

repayment and maintenance obligation may be passed-on to the new owner(s) with approval from the City.

Additional Requirements

Equal Employment Opportunity. The borrower shall comply with all applicable provisions of federal statutes and regulations concerning equal employment opportunities for persons engaged in rehabilitation work undertaken in connection with program assistance.

Records. The borrower shall keep such records as may be required by the City in connection with the work to be assisted.

Civil Rights. The borrower shall not discriminate upon the basis of race, color, sex, marital status, handicap, religion or national origin in the sale, lease, rental, use or occupancy of the property to be assisted.

Interest of Public Body. The borrower shall allow no member of the governing body of the City of Lincoln and no employee of the City of Lincoln to have any interest, direct or indirect, in the proceeds of any loan or in any contract entered into by the borrower for the performance of work financed, in whole or in part, with the proceeds of the loan.

Maximum Program Participation. The maximum participation by the same or common owners in CDBG-funded economic development programs is limited to a total of three projects unless a waiver is granted by the Mayor in the form of an executive order.

Additional Requirements

- ! Equal Employment Opportunity
- ! Civil Rights
- ! Record Keeping
- ! Interest of the Public Body
- ! Maximum Program Participation
- ! Property Taxes
- ! Displacement of Tenants

Property Taxes. Financial assistance will not be provided if property taxes or special assessments are in arrears.

Displacement of Tenants. No financial assistance will be provided if the project involves the permanent and involuntary displacement of tenants unless the applicant agrees to provide financial assistance to the tenants at levels consistent with the Federal Relocation and Real Property Acquisition Act, as amended. Such assistance granted will not, however, be counted in the private match requirement. Temporary relocation may be permitted with costs allowable as a project cost.